

FEB 15 1991

CERTIFIED MAIL

Dear Sir or Madam:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

You were organized on [REDACTED] exclusively for the purpose of meeting jointly to discuss a vendor's software and to offer improvement suggestions to said vendor.

Your income is derived from start up funds received from [REDACTED] and membership dues. Your expenses were for meetings and office supplies.

Your membership is composed solely of insurance agencies using or contemplating the use of automation in their day-to-day operations. You also stated that membership is available to any user of [REDACTED]

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of person having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	2-7-91	2-11-91	3-5-91				

Revenue Ruling 67-77, published in Cumulative Bulletin 1967-1 on page 138, held that an organization composed of dealers in a certain make of automobile in a designated area organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile was not entitled to exemption under section 501(c)(6). The rationale behind this denial of exemption was that the organization was performing particular services for its members.

Revenue Ruling 68-182, published in Cumulative Bulletin 1968-1 on page 263, states that it is the position of the Internal Revenue Service that organizations promoting a single brand or product within a line of business do not qualify for exemption from federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 74-116, published in Cumulative Bulletin 1974-1, on page 127, held that an organization whose membership is limited to organizations that own, rent or use a specific type of computer and whose activities are designed to keep members informed of current scientific and technical data of special interest to them as users of the computer is not exempt under section 501(c)(3).

From the information you have submitted, and which has been cited in this letter, your organization is similar to the organizations described in Revenue Rulings 74-116 and 68-182 cited above. Although your organization has applied under section 501(c)(6) rather than 501(c)(3), the rationale of Revenue Ruling 74-116 is applicable under 501(c)(6) also. As noted in Revenue Ruling 68-182, you are promoting the use of a single computer software and not an entire line of business.

Your activities are aimed at assisting your members in their use of [REDACTED] software and are not directed to the improvement of business conditions for the entire industry.

Therefore, we have concluded that you do not qualify for exemption from federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination you are required to file federal income tax returns on Form 1120.

[REDACTED]

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by some one who is not one of your principal officers, that person will need to file a power of attorney or tax authorization with us.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892